

Fiscal Note

Fiscal Services Division



HF 609 – Land Use Districts and Hotel and Motel Taxes (LSB1717HV)
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Fiscal Note Version – New

Description

House File 609 adds Land Use Districts created under subchapter IV of Iowa Code chapter **303** to the list of entities allowed to impose a local option hotel and motel tax. The local option hotel and motel tax is currently only available to cities and counties.

Under current law, the use of revenue derived from a hotel and motel tax is controlled by Iowa Code subsection **423A.7(4)** and that subsection is not changed by this Bill. The Bill allows a Land Use District to use the hotel and motel tax revenue for any lawful purpose of the Land Use District.

Background

The local option hotel and motel tax is created in Iowa Code chapter **423A**. A hotel and motel tax of up to 7.0% is allowed on the sales price of rented lodging. A county may impose a tax that applies to the unincorporated areas of the county.

Iowa's only Land Use District is the Amana Colonies in northeast Iowa County. The Land Use District is not incorporated. Iowa County's 7.0% hotel and motel tax applies to lodging within the Amana Colonies. Current law does not allow the Amana Colonies to establish its own hotel and motel tax, as the Colonies do not qualify as a city or county.

For FY 2015 and FY 2016, Iowa County collected an average of \$127,000 in hotel and motel tax each year. A portion of that \$127,000 was derived from rented lodging within the Amana Colonies.

Iowa Code section **303.66** allows a Land Use District to levy a property tax of up to \$0.27 per \$1,000 of taxed value on property within the Land Use District that is not tillable farmland, pastureland, timber pasture, or forestland. The Amana Colonies levies the maximum rate and the levy is budgeted to produce \$26,000 in FY 2017.

Fiscal Impact

The Bill allows the Amana Colonies to put in place its own hotel and motel tax at a rate of up to 7.0% and utilize the revenue derived for any lawful purpose. If the Amana Colonies implements a local option hotel and motel tax, some unknown portion of \$127,000 will be raised by the tax each year.

Implementation of a hotel and motel tax by the Amana Colonies will reduce Iowa County revenue by whatever portion of the current county hotel and motel tax revenue is derived from lodging within the Amana Colonies.

Sources

Department of Revenue hotel and motel tax distribution records
Department of Management property tax rate and value files

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
